

EXECUTIVE SECRETARIAT Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI	<input checked="" type="checkbox"/>			
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
20					
21					
22					

SUSPENSE

Date

Remarks:

per our conversation (Received 4/28 1405 hrs.)

Executive Secretary

4/28/82

Date

Not referred to DOC Waiver

applies

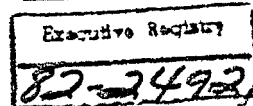
3-37 (10-81)



UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for International Trade
Washington, D.C. 20230

27 APR 1982

CONFIDENTIAL



APR 29 2 05 PM '82

MEMORANDUM FOR MARSHALL CASSE
ROOM 7250
DEPARTMENT OF STATE

HENRY NAU
ROOM 392
NATIONAL SECURITY COUNCIL
OLD EXECUTIVE OFFICE BUILDING

RALPH KORP
ROOM 5050
DEPARTMENT OF TREASURY

DENNIS WHITFIELD, EXECUTIVE ASSISTANT TO THE USTR
ROOM 209
UNITED STATES TRADE REPRESENTATIVE

ROGER PORTER, SPECIAL ASSISTANT TO THE
PRESIDENT FOR POLICY DEVELOPMENT
ROOM 235
OLD EXECUTIVE OFFICE BUILDING

RICK NYGARD
ROOM 8235
OFFICE OF MANAGEMENT AND BUDGET
NEW EXECUTIVE OFFICE BUILDING

JAMES BURNHAM, SPECIAL ASSISTANT TO THE CHAIRMAN
ROOM 315
COUNCIL OF ECONOMIC ADVISORS
OLD EXECUTIVE OFFICE BUILDING

ROBERT P. MEEHAM, ASSISTANT FOR INTERAGENCY MATTERS
ROOM 3E854
OFFICE OF THE SECRETARY
DEPARTMENT OF DEFENSE

RAYMOND LETT, EXECUTIVE ASSISTANT TO THE SECRETARY
ROOM 200-A
DEPARTMENT OF AGRICULTURE

WILLIAM V. VITALE, DIRECTOR, OFFICE OF THE
EXECUTIVE SECRETARIAT
ROOM 7A 185
DEPARTMENT OF ENERGY

*This Document is Automatically
Declassified when classified
enclosures are removed*



Not referred to DOC. Waiver
applies.

CLASSIFIED BY Franklin J. Varg

DECLASSIFY ON 4/26/88

CONFIDENTIAL

B223B

2

25X1

[REDACTED]
ROOM 7E13

CENTRAL INTELLIGENCE AGENCY

CHARLES F. STEBBINS, EXECUTIVE ASSISTANT
TO THE CHAIRMAN

USAF 2E872

JOINT CHIEFS OF STAFF

FROM:

Lionel H. Olmer *[Signature]*
Under Secretary for International Trade

SUBJECT:

Versailles Summit: Clearance of Draft Briefing Papers
for President's Briefing Book for June 4-6, 1982

Attached for your agency's clearance are key issue papers on
"Countertrade", "Steel Trade", and "Trade in High Technology", as well
as the overview paper on "Technology" prepared by DOC. Please provide
your comments by 3:00 p.m. Tuesday, April 27, directly to Jon Paugh,
Room 3862, DOC (377-5853).

Attachments

~~CONFIDENTIAL~~

COUNTERTRADE

I. Issue

Many commercial transactions with communist, and to a lesser extent, developing countries, involve countertrade arrangements, in which exporters in separate but parallel contracts are required to accept products from the purchaser in partial or total payment for the sale. These arrangements, particularly with communist countries, impose unusual costs upon some Western exporters and may add to Western economic vulnerability.

II. Essential Facts

Countertrade arrangements are used by communist and some developing countries as a means to reduce net outflows of hard currency and to facilitate exports of their products without full marketing costs or efforts.

Countertrade imposes on Western exporters added costs of marketing the compensation goods they take as payment. Small and medium sized companies are particularly disadvantaged in competing for contracts involving countertrade. Because of the long-term commitments in major countertrade contracts involving commodities and the unpredictable behavior of world markets, future counterdeliveries may disrupt Western markets.

The US has no legal authority to restrict US companies from engaging in transactions involving countertrade, other than by withholding Eximbank credits in such instances. Multilateral agreement is necessary effectively to discourage countertrade. However, before specific multilateral measures are proposed, we believe further examination of countertrade practices and their effect on markets, prices and companies is necessary. Other OECD members, particularly the Benelux countries, have expressed concern over countertrade.

III. Talking Points

Criticism: Allied governments, although themselves more or less critical of countertrade, may question the importance of this issue relative to other issues being discussed at Versailles.

Response:

- We are concerned that countertrade demands may impose added costs on our companies and in some cases, may prevent smaller and medium sized companies from engaging in trade.
- We believe it would be useful for Western governments to analyze further the effect of countertrade flows on markets, prices, and on our private sector.
- The desirability of achieving multilateral agreement on controlling government credits and credit guarantees for transactions involving countertrade also should be considered.

Franklin J. Var
CLASSIFIED BY _____

DECLASSIFY ON 4/26/88

~~CONFIDENTIAL~~

OVERVIEW: TECHNOLOGY

I. U.S. OBJECTIVES AND INITIATIVES

Principal U.S. Objective

The principal U.S. objective is to achieve a political commitment to examine the growing problem of government interventions affecting trade and investment in high-technology goods and services. It is strongly in the U.S. interest to ensure that US exports have access to the markets of our major trading partners and competitors as well as access to civilian technology. High-technology industry is the backbone of U.S. industrial development and industrial export potential.

Initiatives

The USG has proposed that high-technology trade problems be placed on the agenda for the GATT Ministerial in November, and that the Ministerial launch a work program in the GATT to identify barriers to high-technology trade in goods and services and determine specific steps needed to deal with these problems.

At the OECD Ministerial the United States will support the Secretary General's proposals for an OECD work program to review policies and practices that affect trade and investment in high-technology goods and services, and to prepare a coordinated industrial country position for the GATT review.

II. BACKGROUND AND PRE-SUMMIT PREPARATION

The United States is the leading exporter of high technology goods and services, and we want to press for removal of present barriers to U.S. exports and prevent the erection of any future barriers. OECD countries and the newly industrializing countries view advanced technology industries as critical to their economic growth and international competitiveness. As a consequence many foreign governments are beginning to adopt policies and practices to promote the development of these industries in ways that can distort international trade in high technology products and services. These distortions could lead to retardation of world economic growth and limit the ability of industrialized countries to adjust to increased imports in other sectors.

The USG has already proposed inclusion of issues affecting high-technology trade on the agenda for the November GATT Ministerial, and is developing a detailed proposal for a work program. A cable has been sent to U.S. embassies in GATT member countries asking posts to seek support for GATT discussion of this issue.

- 2 -

The USG supports the OECD Secretary General's proposals for work on high technology, and will indicate strong support for an OECD work program at the OECD Ministerial. We have already begun to discuss these issues and proposals with our industrialized trading partners, and can reinforce these efforts at the Summit.

III. OTHER COUNTRY OBJECTIVES AND STANCE ON U.S. OBJECTIVES

Japan and France have indicated interest in discussing high technology in multilateral fora. Many countries, developed and developing alike, consider the establishment of high-technology industries a matter of national economic and security policy. Some may perceive efforts by the USG to liberalize trade in high technology as contrary to their domestic economic and industrial growth policies.

France has circulated a paper on Technology, Economics, and Employment that reflects the priorities and policies of France's socialist government. The paper proposes a "technological new deal" that includes a coordinated international program of basic research, including North-South technological cooperation, and the standardization of data exchanges. It also proposes that technology be used to promote employment by establishing an international program of education and training in new technologies, an international research program on the problems of working conditions, and a process of harmonization of working conditions. Although this is not the direction in which the United States is moving, there may be some aspects of this proposal that could be of interest. However, we should see that the focus of the dialogue remains on trade and investment liberalization.

IV. DISCUSSION OF OBJECTIVES

Objective: achieve political commitment to examine trade and investment in high-technology goods and services.

Talking Points:

- Advanced technology will be a significant source of economic growth and productivity for all our economies in the 1980s if we work together to ensure that our governments adopt policies to promote vitality and competition and resist protectionism and other trade-distorting measures.

- 3 -

- We have proposed that the GATT Ministerial address this issue in its November meeting with the goal of adopting a program to identify and recommend solutions for problems affecting trade in the high-technology sector. Your active support will be necessary to make this effort a success.
- The OECD should have a lead role in assisting us to develop a program to promote the healthy growth of high-technology industry. The USG supports an OECD work program along the lines suggested by the Secretary General. An OECD program will provide the necessary support as we move toward a GATT work program.
- In order to provide leadership and support for trade liberalization initiatives I suggest that we include in the Communique of this meeting a statement indicating the importance we attach to maintaining an open trade environment for growth in the high-technology sector.
- (If Raised) -- We question whether the options raised in the French paper on Technology, Economics, and Employment are priority issues that will best promote the growth and development of high-technology industry. These proposals are very complex in their implications and we suggest they be studied in appropriate OECD Committees.

TRADE IN HIGH TECHNOLOGY

I. ISSUE

The United States is concerned by foreign government practices that protect their high-technology firms and adversely affect the competitive position of U.S. firms in U.S. and foreign markets. The United States has asked that this issue be placed on the agenda for the GATT Ministerial in November and that OECD work on high-technology trade and investment issues be expanded.

II. ESSENTIAL FACTS

Advanced technology spans a wide range of industries having in common "knowledge-intensive" bases derived from continued investment in research and development, and the aggressive application by these industries of innovations concerning new products and processes. In some countries, there are formal, coordinated government efforts employing a broad range of policy instruments which are designed to promote these industries in ways that could injure the foundation of the international trading system. U.S. companies operate without such government programs or protection from competition in the U.S. market.

III. TALKING POINTS

- Advanced technology will be a significant source of economic growth and productivity for all our economies in the 1980's if we work together to ensure that our governments adopt policies to promote vitality and competition, and resist protectionism and other trade-distorting measures.

Criticism:

- The United States is the leading exporter of high-technology. Other countries perceive the need to involve their governments in support of their private sectors to catch-up. High-technology trade problems are already addressed in the GATT. It is not entirely clear that problems affecting high-tech trade are serious enough to warrant a major allocation of resources for work programs in the GATT & the OECD. We may want to go slow.

Response:

- Pressure is already very strong in the United States to react against foreign trade barriers to U.S. exports that are perceived as unfair and inequitable. Legislation is being seriously debated requiring reciprocity in U.S. trade relationships. We must demonstrate that the international trading system can respond to the changing nature of international trade.

STEEL TRADEI. ISSUE

On June 10, the U.S. Department of Commerce will announce, pursuant to statutory deadlines, preliminary decisions in 36 steel countervailing duty investigations, 19 of which involve EC producers.

II. ESSENTIAL FACTS

These investigations, were begun in response to petitions filed by seven U.S. steelmakers in January. DOC has issued questionnaires to foreign steelmakers and governments from which it will calculate the amount of any net subsidies affecting the imported merchandise. Import duties equal to the net subsidy become payable at the time of the June 10 determination, contingent on final subsidy and material injury determinations (due August 14 and October 8 respectively). Preliminary decisions in the 17 EC antidumping investigations filed concurrently with the subsidy complaints are required by August 9.

The EC is concerned that exports of affected steel products (\$1.2 billion in 1981, 3 percent of all U.S. imports from the EC) will be excluded from the U.S. market. While these exports accounted for only 3 percent of total EC steel production in 1980, the loss or redirection to the EC market of this production could endanger restructuring efforts and exacerbate steel-related domestic economic and political difficulties, most notably in Belgium. Japan is satisfied with its steel export markets and seeks stability in world steel trade. It fears the disruption of world steel trade that might follow imposition of countervailing duties by the U.S.

We see EC subsidies, which maintain excess and inefficient capacity, at the heart of current world steel trade frictions. Twice before, in 1977 and 1980, the USG has worked out compromises that avoided the strict application of US trade laws to EC steel imports; both times the compromise failed, most recently because of massive increases in EC steel imports. We now intend to complete the subsidy and antidumping investigations and, if warranted, impose duties to offset unfair trade.

III. TALKING POINTS

Criticism: European steel exports to the United States have not exceeded traditional levels and are not injuring the U.S. steel producers. The USG should dismiss the cases.

Response:

-- The Department of Commerce is handling the steel cases fairly, objectively, and in full accordance with our international obligations under the General Agreement on Tariffs and Trade (GATT).

-- Commerce's intention is to complete the investigations, identify which steel is being fairly traded and which is not, and impose duties to offset any injurious unfair dumping or subsidization. We are willing to listen to suggestions for settlement, but any settlement must be consistent with U.S. laws and the free and fair trade policies of the United States and the GATT.